



SENATE BILL 444: UNC Nonappropriated Capital Projects

2011-2012 General Assembly

Committee: Senate Finance
Introduced by: Sen. Hartsell
Analysis of: PCS to First Edition
S444-CSMC-19

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SUMMARY: The proposed committee substitute for Senate Bill 444 would authorize the construction of numerous projects by The University of North Carolina. The projects will be financed through revenue bonds and special obligation bonds, not appropriations from the General Fund.

CURRENT LAW: There are two types of self-liquidating bonds that may be issued by the Board of Governors of the University of North Carolina. Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds for the types of projects enumerated in the article. The types of projects for which revenue bonds may be issued include educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, parking decks, etc. for the educational institutions, the University of North Carolina Health Care System, the University of North Carolina General Administration, and the University of North Carolina Hospitals at Chapel Hill. The revenue bonds are payable from rentals, charges, fees, and other revenues generated by the facility. The bonds are not payable from tax revenues.

Article 3 of Chapter 116D of the General Statutes authorizes the Board of Governors to issue special obligation bonds payable with any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, but not including tuition payments or appropriations from the General Fund from State revenues. The bond proceeds could be used for construction, improvement, and acquisition of any capital facilities located at UNC constituent and affiliated institutions. The bonds are not payable from tax revenues.

BILL ANALYSIS: The proposed committee substitute for Senate Bill 444 would authorize the construction and financing of the capital improvements projects at various constituent institutions of The University of North Carolina. The projects authorized by the bill would not be financed with funds appropriated from the State's General Fund; but may be financed with gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, other funds available to the constituent institutions, or a combination of any of those financing methods. The projects include academic, research, clinical and administrative space and improvements to student services, residential living, dining, recreation, and athletics facilities. Once approved, a detailed financial plan will be developed in consultation with financial advisors and bond counsel for each project. The plans must be approved by the Chancellor, the Boards of Trustees, the President, and the Board of Governors before construction contracts may be awarded and bonds issued.

The self-liquidating projects the Board of Governors plans to finance with revenue and/or special obligation bonds are listed in Sections 2 and 3 of the bill. The UNC revenue bond act in Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds to finance the cost of a variety of capital projects. The UNC special obligation bond act in Article 3 of Chapter 116D of the General Statutes requires that the specific projects and their costs be set forth in legislation approved by the General Assembly and that the maximum amount of special obligation bonds to be issued to finance the specific projects listed be stated. Section 5 of the bill expressly states that the maximum principal amount of special obligation bonds to be issued shall not exceed the amounts listed in Sections 2 and 3 of the act plus 5%. The additional 5% may be used for related additional costs for which bond proceeds are routinely used, such as issuance expenses, funding of reserve funds, and capitalized interest.

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This year's bill includes 19 capital projects on eight campuses in Section 2 of the bill. The Chancellors and Boards of Trustees for the listed campuses, as well as the President and the Board, have approved these projects. Support from General Fund sources for operating costs will be required only for facilities used for academic programs.

Sections 6 through 8 authorize three institutions to construct and finance projects through lease arrangements to, from, and with named entities. Once constructed and approved by state reviewing agencies, the improvements would transfer to the respective institutions. The three projects are:

- Chilled Water Infrastructure Improvements capital project at UNC-Chapel Hill. The school will partner with the Orange Water and Sewer Authority.
- New Student Housing Building capital project at Winston-Salem State University. The school will partner with Winston-Salem State University Foundation, Inc. and Winston-Salem State University Housing Foundation, LLC.
- Bowman Gray Stadium, Fieldhouse, parking lots, and recreation area capital project at Winston-Salem State University. The school will partner with the City of Winston-Salem.

Section 3 authorizes the Board of Governors to expend non-General Fund money to plan six capital projects on four campuses.

Section 9 provides that the prohibition in the ABC laws for the sale of beer and wine on the property of a public school or college would not apply to the Bowman Gray Stadium. This exception would be limited to events that are not sponsored or funded by the institution, Winston-Salem State. NASCAR is a sponsored event at this stadium.

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